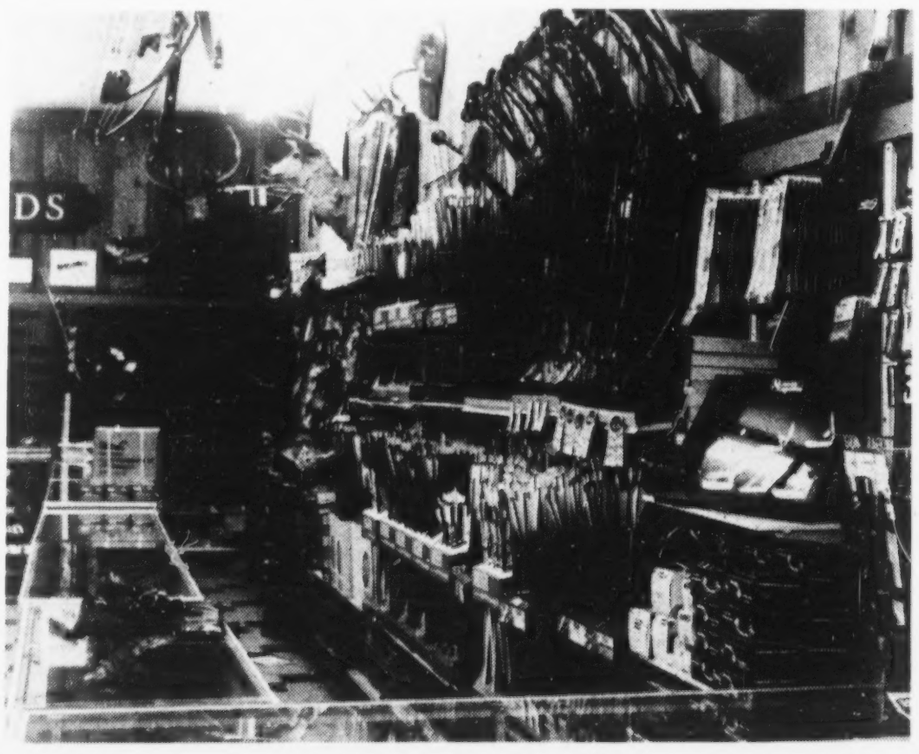
SPORTING GOODS

Sporting goods PMA figures for the 30-day period ended July 17, supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio, cover 600 stores, including 480 discount stores in 23 states. Average retail prices reflect typical price points for discount clients.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	YEAR ROUND SPORTING GOODS			
1	1377 Crossman pump pistol BB/177	207	45.60	9,439.20
2	5760/760 Crossman BB/177 rifle	210	44.46	9,336.60
3	61-268 Spalding M. Johnson basketball	426	14.73	6,274.98
4	737 Crossman Super BB's milk carton	2,040	1.75	3,570.00
5	811-S Flar lttl league cup spprtr	492	5.68	2,794.56
6	231/5PD Crossman powerlet 5-per box	910	2.38	2,165.80
7	1A10BC Kidde fireaway extinguisher	130	16.48	2,142.40
8	110-M Flar 3-in supporter 117RP	900	2.31	2,079.00
9	2As40BC Kidde fireaway extinguisher	70	29.69	2,078.30
10	7177/177PD Crossman 177 pellet dispenser	1,734	1.19	2,063.46
11	10BC Kidde fireaway extinguisher	164	11.35	1,861.40
12	110-L Flar 3-in supporter 117RP	612	2.31	1,413.72
13	1010 Marks pistol /177/BB dart	80	15.69	1,255.20
14	880 Daisy BB/177 pump rifle	26	45.34	1,178.84

(Continued on page 12)



Bows and arrows receive extensive wall space in G.I. Joe's, Beaverton, Ore., store. Category accessories are featured in glass counters directly in front of the wall display. *(DSN photo)*

Ward Sales Increase 11.9% in Second Quarter

NEW YORK—Montgomery Ward's sales rose 11.9% for the second quarter ended June 30, and 13.8% for the six-month period. That helped reduce the chain's loss from $36,000,000 to an estimated $28,000,000 for the second quarter, and to an estimated $75,000,000 from $82,000,000 for the first half.

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DORCY

PMA® PRODUCT MOVEMENT AUDIT

Mfrs. Cut Back; Shortages Mark Sporting Goods

Sporting goods manufacturers cutting back on production created stock shortages at both the wholesale and retail levels, as reflected in the Product Movement Audit for the 30-day period ended July 17.

According to Jim Sylvester, sporting goods buyer for Stem Distributing, a division of Cook United, Maple Heights, Ohio, "most of our manufacturers are building to order because of the high cost of money. There's no such thing as ordering an item on a hot rush basis anymore."

Supply problems notwithstanding, there is strength in the sporting goods category: Rods and reels, along with accessories such as lures, will remain strong for the remainder of 1981. Tackle sales are up almost 45% over last year. Sylvester declared: "People this year are not turned off by the high-ticket, better-quality merchandise. Instead of a beginning fisherman buying a $10 reel and replacing it with another $10 reel the next year and the year after that, he'll buy a $35 unit right now."

The third-place dollar volume ranking of the Zebco combo 808 reel, which carried an average retail of $43.55, re-

(Continued on page 12)

Takeover of Meyer By KKR Looms as Bid Is Accepted

PORTLAND, Ore.—Fred Meyer Inc. has agreed to accept the $55-a-share takeover bid made by Kohlberg Kravis, Roberts Co. (KKR), a New York-based investment company.

The offer will now be passed along to the shareholders for their ratification. While no final date has been set for the vote, the buyout wasn't expected to meet any resistance. (At the annual meeting last month shareholders were told the company would not be sold before Oct. 1 because of certain tax advantages management hoped to accrue thanks to the new Federal tax cut.) The sale would return the 67-unit chain to the privately held status it had before 1960.

New Approach

KKR's offer was the investment firm's third bid in less than a year. Two earlier offers, both for $45 a share, were rebuffed by Meyer's board as being "inadequate" and "not in the best interests of the company." Those bids had included certain conditions—specifically, that Meyer's management participate in a leveraged buyout—which were eliminated from the third offer.

Throughout the bidding, security analysts have said that KKR's $55-a-share offer was a good price for the chain, and that the board would be hard

(Continued on page 25)

SPORTING GOODS

(Continued from page 8)

AMMUNITION

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	DQ 12-8 Rem dove-load S/G shell	2,820	5.89	16,609.80
2	1500 Rem 22 cal 100-pk LR ammo	4,550	3.59	16,334.50
3	TB 22 Rem 22 LR ammo Thunderbolt	5,300	1.60	8,480.00
4	DQ 20-8 Remington shot shell	1,400	5.37	7,518.00
5	1622 Rem hi-speed 22 LR hollow pt	2,600	1.96	5,096.00
6	1022 Remington H/S 22 short	2,900	1.56	4,524.00
7	SP12 6 Rem 2¾ express shell	520	7.79	4,050.80
8	45AP4 Remington 45 auto	199	16.28	3,239.72
9	1600 Remington .22 cal 100 pk LRHP	800	3.96	3,168.00
10	357M2 Rem .357 mag 158 GR	198	15.61	3,090.78
11	SP 12-71/2 Rem 2¾ express shell	380	7.79	2,960.20
12	DP 12-6 Remington shot shell	400	7.39	2,956.00
13	25AP Rem .25 6.35 MM pistol	290	10.08	2,923.20
14	Yeld M Rem cly trgts yellowdome	397	7.16	2,842.52
15	SP20 5 Rem 2¾ express shell	380	6.86	2,606.80

COLEMAN

1	5103 253 Coleman gal fuel	2,460	4.16	10,233.60
2	220K195 Double mantle lantern	140	33.71	4,719.40
3	21A1001 21A Silk mantle	4,750	0.68	3,230.00
4	275-710 Lantern	66	39.74	2,622.84
5	5255 C700/703/710 Cooler, 56 qt	49	48.64	2,383.36
6	5103-164, 16,402 Propane fuel	803	2.96	2,376.88
7	5254C700/703/710 Cooler, 44 qt	49	43.16	2,114.84
8	413G 499 2-Burner stove	41	50.70	2,078.70
9	5276 Super Oscar 6 gal	76	23.28	1,769.28
10	425 E499 Coleman 2-burner stove	46	36.96	1,700.16
11	5114-700 Propane lantern	50	27.40	1,370.00
12	5274-702 Oscar cooler, 4 gal	68	17.12	1,164.16
13	5445C700 Propane heater 2-5 Btu	16	64.40	1,030.40
14	690-048 Clear Glove for 220	324	2.73	884.52
15	220-6201 Pump replacement kit	174	3.44	598.56

FISHING RODS

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
1	1245 Zebco cmb 202 reel w/2023 rod	389	11.52	4,481.28
2	77 Zebco Jr spincast rod/reel	400	10.42	4,168.00
3	3790 Zebco cmb 808 reel w/8965 rod	70	43.55	3,048.50
4	2490 Zebco cmb 600 reel w/4060 rod	150	19.71	2,956.50
5	6312 Daiwa 6'6" spin rod	118	20.78	2,452.04
6	915 920/T6500 OLY spin combo	89	26.67	2,373.63
7	CR10C-6'6" Berkley spin rd cherry	102	21.69	2,212.38
8	2353 Garcia spincast rod 6'	190	11.34	2,154.60
9	1545 Zebco cmb 404 reel w/4040 rod	142	15.14	2,149.88
10	CD402A/212A Daiwa spin cmb kit	140	14.32	2,004.80
11	SP1100 6'6" Shkspr Ugly stik sp rd	41	43.76	1,794.16
12	1100RL/T2600 OLM sp cast cmb	65	26.67	1,733.55
13	3490 Zebco combo 33 reel w/3366 rod	51	32.70	1,667.70
14	208RL/1690 Daiwa PMC spincast cmb	48	34.13	1,638.24
15	S609 Garcia spin rod 6'6"	68	23.90	1,625.20

FISHING TACKLE

1	E. Dearie 5/8 walleye lure assrtd	3,348	1.33	4,452.84
2	E. Dearie 3/8 walleye lure assrtd	2,752	1.33	3,660.16
3	536-55 Cutter insect spry rplint	780	3.43	2,675.40
4	2371/81 Igloo Little Playmate	180	13.68	2,462.40
5	B25B8 Mengo telescopic net 4-8 ft	181	13.58	2,457.98
6	1371/81 Igloo Playmate cooler	104	22.64	2,354.56
7	IP100 O/S Stanbel ice pack small	1,608	1.43	2,299.44
8	536-32 Cutter insect spray, evergreen	528	3.43	1,811.04
9	16SLD/11SLD Water Bascast sinker	612	2.66	1,627.92
10	536-47 Cutter insect creme rplint	552	2.94	1,622.88
11	IP250TR Stanbel ice pack, med	738	2.17	1,601.46
12	IP400 TR Stanbel ice pack, large	456	3.16	1,440.96
13	1060 Old Pal 3-tray tackle box	128	10.32	1,320.96
14	17EG/11EG Water Grem egg sinkers	516	2.54	1,310.64
15	287/88 Igloo fiesta 28-qt cooler	64	20.60	1,318.40

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KWIKEE SYSTEMS
A DIVISION OF MULTI-AD SERVICES, INC.

PMA®
PRODUCT MOVEMENT AUDIT

Shortages

(Continued from page 8)

flected consumer interest in higher-priced fishing gear. Seventy pieces were sold this period compared to 51 this May.

Heading the most recent list was the Zebco combo 202 reel with a 2023 rod followed in second place by a Zebco Junior spincast rod and reel combination. Both models, for relatively inexperienced fishermen, have average retail prices under $12. Unit movement was up from May when the 202 reel ranked 11th and the Junior outfit did not appear on the top 15 list.

Sylvester predicted strong sales of graphite and boron rods as the price points come down to where the average consumer can afford them. The current price range begins at $19.95, in sharp contrast to a low-end ticket of $50 three and four years ago.

Orders on the latest PMA for Coleman products were down due to higher price points, reported Sylvester. "Sales are down because people are now repairing their lanterns and heaters with new parts instead of buying new models," he said. The top two items switched places on the latest PMA, with the gallon fuel can heading the list and the double mantle lantern placing second.

On the brighter side for Sylvester were ammunition sales, up 50% over 1980. Though Sylvester could not say for sure why such an increase took place, he did speculate that retailers might possibly be bringing merchandise in earlier, to avoid getting cut short during the hunting season. Advertisements for the dove season throughout the South broke in early July, causing a spurt in orders, he said. This surge was reflected in the unit movement of the third place item, Remington's 22 LR Ammo Thunderbolt. In the latest PMA it ranked first with a unit movement of 2,504. Though it more than doubled in volume to 5,300 units, it slipped to third place on the current PMA.

Parent of Bradlees Sells N.J. Supers

BOSTON—Stop & Shop, parent company of Bradlees, has sold its New Jersey supermarkets.

Of 16 of the 17 supermarkets in the company's New Jersey-New York division, four were purchased by King's Supermarket of Irvington, N.J., and 12 went to A&P of New Jersey. The Poughkeepsie, N.Y., supermarket was the only store in the division to be retained, and it will become part of the Connecticut-Western New York division, a spokesman said.

Although several Bradlees are located adjacent to the sold-off supermarkets, the company spokesman said the sale of the supermarkets will not have any effect on Bradlees. The spokesman added that Stop & Shop is currently seeking new acquisitions in New Jersey for its Medi-Mart drug store division and Bradlees.

DISCOUNTER MANAGEMENT DEVELOPMENT SERIES

In Search of Real Profits: More Sophisticated Planning Is Needed

By Laurence N. Garter
Director of Retail Consulting Service

Touche Ross & Co.

This is the first in a series of three articles that will focus on some of the changes affecting retailing today and in the future, as well as ways by which retailers can adapt to those changes. Paramount among these is the way we view success and produce real profits.

As we embarked on the 1980's, we found the retail industry in the throes of its most serious challenge in years. After two decades of expansion and diversification we faced a time of reappraisal. Almost two years into the new decade this need to re-examine our business still persists.

Inflation, the energy squeeze and a changing economy have altered the rules for all segments of retailing, affecting everything from store location to marketing strategies to productivity. Slowed population growth and shifting population centers demand that we redefine our customer base. Continuing high credit rates and other economic pressures on consumers make real sales growth tougher to come by. Soaring interest rates and overstored conditions are forcing a rethinking of marketing strategies in many parts of the country.

Regardless of size, retailers will face difficult adjustments during the next few years. Growth, profitability and perhaps even survival will demand vision, wisdom and the ability to look beyond historical success patterns to understand what success in the 1980's will require.

The Consumer

Retailers must recognize the effect that high inflation, interest and energy costs have on consumers and consequently on consumer buying:

- *Less discretionary income.* Shelter, heat, transportation, taxes, and other necessities are taking an increasingly larger portion out of the paycheck, leaving less money for nonessentials.
- *Altered buying patterns.* As discretionary spending responds to inflation, consumers rethink their priorities and values, insisting on high quality. Durability of both style and materials becomes more important as buyers seek better value for their dollar.
- *Changing credit rules.* Consumers are changing the nature and timing of their purchases because of fluctuating pressure imposed on their use of credit by Government, banks, retailers and credit grantors.
- *Changing work patterns and shopping habits.* More women in the work force, coupled with high energy costs, are forcing retailers to adjust their hours of business and sales coverage. The noon hour, evenings and weekends may become even more important shopping periods. Retailers will have to determine, however, if Sunday volume can justify the cost.
- *Higher gasoline costs.* As gasoline costs rise consumers make fewer shopping trips. Each trip must be more efficient and better organized. Will this benefit retailers in the inner cities? Will it hasten the acceptance of electronic shopping?
- *Heightened consumerism.* As they insist on getting their time and money's worth from those who serve them, customers demand more accountability from the merchant, more quality and durability.

The Retailer

The direct effects of high energy costs, interest rates, and inflation on the retailer are equally severe:

- *A squeeze on profits.* Retail prices have *not* kept pace with the rising costs of doing business over the past several years. As a result profitability has eroded. The retailer is caught in the middle between soaring costs and the shrinking consumer dollar, and the pressure to keep prices down is not likely to abate.
- *Improving efficiency and flexibility.* As a result, greater productivity is essential when profits erode. Scheduling sales help to meet changing patterns of shopping, improving the flow and turn of inventories and modifying merchandise mix are but a few of the opportunities for improving profits.
- *Overhead.* Overhead spending and organization structures must be reassessed. Overhead functions built in anticipation of growth that has not materialized may require rethinking and restructuring, not simply paring back.
- *Rethinking store hours.* Despite competitive pressures to remain open long hours, expensive energy and altered shopping patterns can force a change. Opening at noon on weekdays, altering weekend hours and other scheduling changes to better match customer patterns are options for retailers seeking increased productivity and lower costs.
- *Overstoring.* After the rapid expansion of the last two decades, many market areas have been saturated. The search for new, profitable retail space becomes more difficult. The need to deal with the problems of less productive stores becomes more important.
- *Location of stores.* The soaring costs of housing, gasoline and commuting and the decline in highway construction suggest that some locations may become less ideal for new retail sites.
- *Better strategic planning.* All retailers plan, but the challenges of today's economy require a more sophisticated approach. Merchants must develop strategies that prepare for unpredictable economic, political and technological shifts.

With all of these changes affecting the way retailing companies are run, it will also be necessary to change the way performance is evaluated. That is, new standards of measuring success must be developed to match the new set of factors under which retailers operate.

When, for instance, the inflation rate hovers around 15% and the prime interest rate is around 20%, when "real" sales are flat or reclining and the prices cannot keep pace with cost inflation, the retailer who uses outdated methods to keep score may be the last to know that for him the game is over.

Common Threads of Success and Failure

In light of these trends it is imperative that the retailer have a clear understanding of not only the new success criteria, but also of the early warning signs of retail failure. For motivation we need only look at the roster of companies that could not keep pace and filed under Chapter X or XI of the Bankruptcy Act during the 1970's (see Figure 1).

Retailers Filing Under Ch. X or XI in the 70's

Company	Filing Date	Sales (000 omitted)
Arlans	May 1973	$ 206,000
Unishops	Nov. 1973	140,000
Parkview-GEM	Dec. 1973	145,000
Mangel Stores	Mar. 1974	99,000
Interstate Stores	May 1974	306,000
Mammoth Mart	June 1974	143,000
National Bellas Hess	Oct. 1974	172,000
Daylin	Feb. 1975	308,000
W. T. Grant	Oct. 1975	1,850,000
Abercrombie & Fitch	Aug. 1976	23,800
United Merchants	July 1977	1,029,000
Neisner	Dec. 1977	150,000

Fig. 1

Add to these the troubled companies of more recent years such as Food Fair, J. M. Fields, City Stores, Lafayette Radio, E. J. Korvettes, and Goldblatt's and we see the hard facts of life in retailing.

Historical success does not assure success today or for the future; nor does size guarantee immunity to the *real* success problems of the last 10 years. The facts merely prove the adage "The bigger they are, the harder they fall."

By studying the cases of companies that failed, we have found that some common threads exist in retail failures. From these common threads we can develop a set of causes of failure, as well as of early warning signs that can alert the retailer to trouble before it becomes severe.

Lack of Time

There are many threads in past failures, but the most common thread is "lack of time." How often have we heard, "The company could have been turned around if only there had been more time." In fact, time often seems more precious than money. Think about it!

Management, bankers and creditors often try to help a company "buy" time by adjusting lending and credit agreements and extending additional spot credit. But the sad facts are that a company's credibility with its vendors and customers, once eroded, can be impossible to replace. Cash pumped into the company is applied by the creditors to past deliveries. New merchandise is delivered COD, and even then, reluctantly. Customers switch commitments to more reliable sources. The pattern is relentless. Yet almost every retailer caught in such a whirlpool seems to believe "I'm different; I can just tough it out."

But the truth is that time generally *cannot* be bought after the problems have surfaced—especially in today's marketplace. The secret of success then is to buy time before these problems surface by *identifying the early shifts in a company's performance.* And it is clear that such shifts start occurring one to three years before the financial difficulties become obvious. In short, a company in trouble didn't get that way overnight.

The Financial Spiral

In looking for early shifts in performance, the retailer must study closely the company's financial performance because symptoms of operational problems often appear in the financial results. As a company's operations begin to drift, the income statement and balance sheet will often provide an early indication of the company's eroding liquidity.

Consider a company's liquidity as a tank of cash (see Figure 2). Numerous elements can drain that tank. Some of those elements will appear on the income statement; others will show up on the balance sheet. These signs of liquidity erosion, then, are readily available to the retailer who can recognize them as early warning signs of trouble.

The elements that can drain liquidity are:

- From the *income statement:*
  1. Sales volume declines, either in actual dollars or units or sales per square foot.
  2. Gross margin drops because of:
     a. Volume decreases.
     b. Inability to adequately build expense and wage increases into the pricing structure.
     c. Customers shift to less profitable (bargain) products, shifting the sales mix and profitability.
  3. Overhead and development programs are not cut back rapidly, putting them out of line with business needs, further reducing cash and profits.
  4. Borrowing increases, adding high interest costs.
- From the *balance sheet:*
  1. Inventories grow, depleting cash further because of:
     a. Slow reaction to sales decline; lag in adjusting to open-to-buy.
     b. Imbalances created by shift in customer demand leading to high markdowns.
  2. Accounts receivable may grow as customers with similar problems struggle to conserve cash, or as management, in search of a solution to the sales problem, eases credit requirements and accepts greater risks.
  3. Suppliers, sensing the company's problems, become nervous and insist on prompt payment, further depleting cash.

Why is it important to understand the cycle? Because we are in an industry where optimism is essential. Too often,

(Continued on page 17

Elements That Erode Liquidity

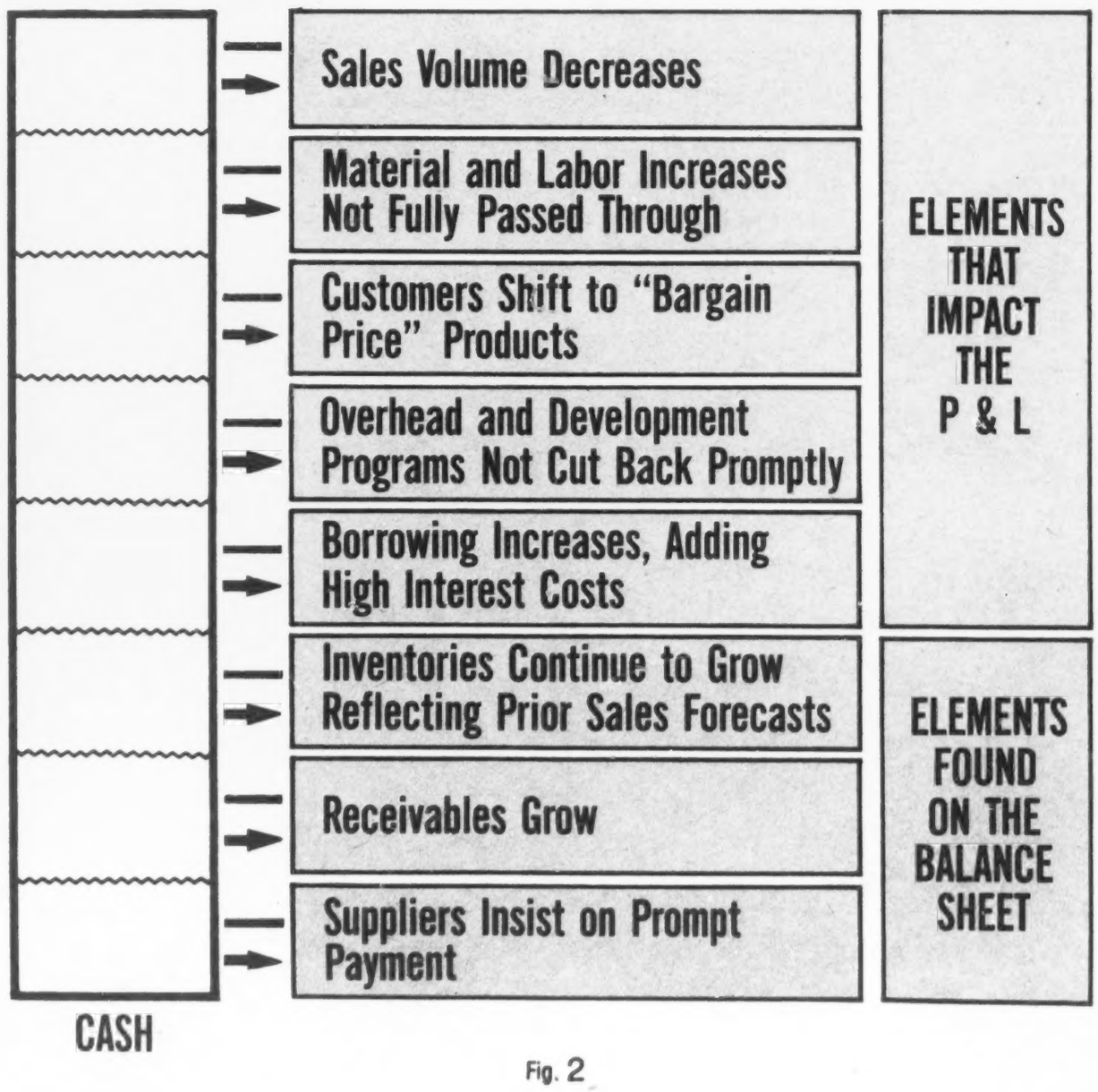
Sales Volume Decreases
Material and Labor Increases Not Fully Passed Through
Customers Shift to "Bargain Price" Products
Overhead and Development Programs Not Cut Back Promptly
Borrowing Increases, Adding High Interest Costs
Inventories Continue to Grow Reflecting Prior Sales Forecasts
Receivables Grow
Suppliers Insist on Prompt Payment
CASH
ELEMENTS THAT IMPACT THE P & L
ELEMENTS FOUND ON THE BALANCE SHEET

Fig. 2

Sophisticated Plan

(Continued from page 15)

however, management focuses on some very simple indicators such as sales growth, market share, hot items or new locations, without considering the impact on liquidity. Understanding the cycle enables management to determine its susceptibility to economic traps.

Businessmen who are successful over the long haul generally understand the cycle, insist on sound planning and, equally important, measure performance against that plan. This gives them early warning of dangerous trends such as sales decline, creeping inventory and receivable levels, profit erosion and cash drains. The extra time they buy helps them keep the liquidity virus under control.

In the next article, we will discuss in detail the common threads of retail failure and illustrate these with some of the industry's failures.

About the Author . . .

Laurence N. Garter, CMC, is a partner with Touche Ross and director of retail consulting service. Garter consults with clients in the areas of business strategies, organization planning, cost reduction and profit improvement, and financial planning and control.

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Sept. 7, 1981

QUESTIONS

Choose the *best* answer from the choices given to complete each statement or answer each question below. Circle your choice.

1. **The most common thread among causes of retail failure is:**
   a) lack of money
   b) lack of time
   c) lack of inventory
   d) lack of sales
2. **How long before the financial difficulties become obvious will significant shifts in a company's performance generally start to occur?**
   a) one month
   b) six months
   c) one year
   d) one to three years
3. **Symptoms of operational problems often manifest themselves as:**
   a) inventory difficulties
   b) financial difficulties
   c) data gathering difficulties
   d) personnel difficulties
4. **A company in trouble will show an erosion of:**
   a) customer base
   b) sales
   c) liquidity
   d) confidence
5. **Which of the following is *not* recorded on the income statement?**
   a) sales volume decline
   b) gross margin decline
   c) increase in borrowing
   d) growth in inventory
6. **According to the article, the causes of failure in retailing:**
   a) are unique to each situation
   b) share a commonality
   c) can be discovered only from hindsight
   d) are limited to financial inefficiencies
7. **The article implies that in the 1980's:**
   a) traditional measures of success will be inadequate for the 1980's
   b) retail failures will double the number of failures in the 1970's
   c) the largest companies have the best chance for survival
   d) all of the above
8. **Which of the following gives a retailer the best chance of success?**
   a) having a large number of stores
   b) continually increasing sales volume
   c) an information system that tracks shifts in performance
   d) controlling store payroll
9. **By studying the failures of other companies, a retailer can:**
   a) gain an awareness of the causes of failure
   b) be alerted to early warning signs of failure
   c) develop criteria for success
   d) all of the above

Executive Changes

Target Names Ward's Svee Senior VP

ROY SVEE, metro district manager, Minneapolis-St. Paul, at Montgomery Ward, has been named senior vice president, strategic planning of Target Stores. He will report to Bruce Allbright, president.

Mr. Wiggs Department Stores' **HOWARD REYNOLDS,** hard lines merchandise manager, and **FRANK ARMENIO,** soft lines merchandise manager, have been promoted to corporate assistant vice presidents. Reynolds, with the company since 1978, and Armenio, who joined Mr. Wiggs in 1979, will retain their positions as merchandise managers.

MARTIN KENNEY has been appointed director of advertising and sales promotion for the Glosser Bros. department store in Johnstown, Pa., and the Gee Bee chain. Kenney was most recently vice president of advertising and marketing for Morton Shoe Stores.

Danners, operator of 3D discount stores, has appointed **DONALD J. BURRELL** to vice president—marketing. Burrell, with the company for 20 years, most recently served as assistant vice president-sales promotion.

K mart Apparel has promoted **BONNIE L. HUNT** to buyer of full figure tops, blouses and shorts. Hunt had previously been associate buyer in this category.

Zayre's apparel specialty chain, T. J. Maxx, has named **VIC MACHUNSKI** manager of financial accounting and budgets; **BARRY OSTROW** manager of accounting services, and **DON GOULD** store audit manager. Machunski joined the company in 1979 as financial accounting and budget manager. Ostrow, also with the company since 1979, was general accounting manager. Gould joined Maxx's in 1977 as an assistant manager of a Bangor, Me., store, and in 1979 was promoted to field auditor.

Dayton Hudson, parent of Target Discount Stores, has promoted **JAMES R. ECKMANN** to director, employee benefit investments. Eckmann joined Dayton Hudson in 1974 as an investment trainee, and in April 1978 he became manager, employee benefit investments.

Vornado, operator of Two Guys, has elected **JULIUS KASINITZ** to executive vice president. Kasinitz was vice president of Caldor for 13 years.

Jamesway's assistant vice president of loss prevention **CARL DURST** has been given the additional title of director of loss prevention.

The Newton Buying Corp., a division of Zayre which operates the T.J. Maxx specialty stores, has named **WILLIAM BUFALINO** buyer of boys' wear. Bufalino was previously associated with Gilchrist's and Marshalls. At T.J. Maxx, **WILLIAM MILLER** has been named director of personnel. Prior to joining T.J. Maxx, Miller was director of personnel for Miller & Rhoads, a division of Garfinckel Corp.

Bufalino

Miller

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Discount Store News

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Discounters to Do $66.6B, Add 428 Stores in '81

Nationwide DSN *Report*

While some chains are posting strong sales gains this year, much of the 10.1% overall volume gain projected for the industry will come from new stores and general merchandise inflation.

Conservative projections by chains put discount industrywide volume for the current fiscal year, including supermarket sales, at $66.6 billion, up from $60.5 billion in the last fiscal year.

With supermarket volume excluded, general merchandise sales in the industry will grow slightly faster, according to *DSN*'s survey of the top 100 discounters. An 11.1% volume gain for the current fiscal year is projected by chains, as general merchandise sales hit $61.1 billion, up from the year-before's $55 billion volume.

Midyear figures from some chains show the industry could well outstrip its conservative sales projection: K mart volume was up 14%, Wal-Mart's sales increased 40.9%, Target was up 27.5% (excluding Ayr-Way) and Zayre recorded a 17.6% sales gain.

High construction costs and high interest rates, combined with uncertainty over the economy, are holding down expansion of store units this year. The industry will be 5.5% larger in number of stores at the close of calendar 1981, a net gain of 428 stores, though last year the industry grew by 6.5% as 470 stores were added.

Net gain in square footage industrywide will be 30 million sq. ft.—like adding two more chains the size of King's—as the number of stores passes 8,000 this year.

Warm-weather states are seeing the bulk of new stores, as strongest gains this year are in the Southeast (9.1% more stores) and Southwest (8.7% more). Arkansas will have the largest increase in numbers, ending the year with a gain of 30 discount stores. Texas is the state with the second most new stores for the year, with 26 more units. Alabama and Georgia were next, adding 22 and 20 new stores, respectively.

Ohio remains the largest state in the country by number of discount stores, with 562, but second-place Texas is gaining ground fast and may become the state with the most discount stores by the end of 1982. Ohio is also the top discount store state by volume, with California's sales second and Texas discount store volume third.

Chicago, Los Angeles, Philadelphia, Boston and New York remain the top metropolitan markets, in that order, by number of stores, though Chicago, Philadelphia and New York remain static in store count for the year. (Chicago is the nation's top volume market for discounters by a wide margin.) The Dallas-Fort Worth market area is the top gainer this year in new stores, with nine.

Scaled-down stores giving greater operating efficiency continue as the main building trend, edging down average store size in the industry. The average discount store entering 1982 will be 70,580 sq. ft., down slightly from 70,600 sq. ft. a year ago. Five years ago, average store size was 71,960 sq. ft.

More stores in the 40,000-49,000-sq.-ft. range were opened this year than any other size, while stores of 60,000-65,000 sq. ft. ranked second in number of openings.

(Continued on page 126)

Pistner Realigns Brass

Kenny, Jefferson/Ward President, Resigns

MIAMI—David Kenny, the last top executive responsible for Jefferson/Ward's initial huge expansion, has resigned as president, clearing the way for Stephen Pistner, president of parent Montgomery Ward, to complete his realignment of the discount chain's management.

Kenny declined to comment on his resignation beyond noting that "a new management has taken over and you either agree or disagree" with their plans.

The key management changes at Jefferson/Ward during the past half year took place while Kenny was president, but were reportedly engineered by Pistner, who became president and chief executive officer of Ward seven months ago.

Jefferson/Ward's initial expansion under Kenny saw the discounter grow from 12 Miami stores to 51 units in seven states during an 18-month period that ended in March, just as Pistner joined Ward.

Ward has had extensive problems and has had to borrow more than $300 million from its parent, Mobil Oil Co. Pistner has launched a "voluntary separation program" at Ward under which top executives with at least 10 years service are being encouraged to leave the company under "fair and equitable" pay and benefit terms.

David Kenny
Ex-President, Jefferson/Ward

A Ward spokesman said that the separation program "doesn't involve Jefferson/Ward."

Kenny credited Pistner with creating "an open door for Jefferson" at Ward so that the discounter could get the financial and executive help it need-

(Continued on page 125)

Glosser to Open Off-Price Apparel Store

JOHNSTOWN, Pa.—Glosser Bros. plans to enter the specialty store market this fall with a winner.

Following in the footsteps of Woolco, Zayre and Dayton Hudson, which have broadened their customer base with off-price brand name units, Glosser will open Winners, its version of J. Brannam, T. J. Maxx and Mervyn's.

The first unit will be unveiled Oct. 22 in a strip shopping center in Pleasant Hills, a Pittsburgh suburb.

"We're hoping that this will be the beginning of numerous other stores," said Alvin Glosser, president and ceo. He would not disclose how many future units are planned, but indicated that several will be opened in 1982.

The corporation—which operates 19 Gee Bee discount stores, a department store and 13 supermarkets in Pennsylvania, Maryland and West Virginia—is not discouraged by the fear some retailers have that the recent surge to open off-price specialty stores will soon glut the market.

Glosser's analysis is that the off-price branded apparel market is still solid and there is plenty of growth potential left. "We think it is a growing industry and it's an offshoot of discounting, which we're familiar with," said Glosser. "It is an opportune time for us, based on the problems we've had with the economy in this area, and considering that we are starting to make headway."

(Continued on page 125)

Goldberger and Segall Honored

Herbert Goldberger, discounting's most recent hall-of-famer, and Maurice Segall, the 1981 Discounter of the Year (right) received their plaques and the congratulations of more than 400 industry leaders at *DSN*s annual awards banquet in Chicago. Segall, president and chief executive officer of Zayre, was honored in recognition of that chain's dramatic 1981 turnaround in sales and profits and Goldberger, founder of Hills, for his lifetime contribution to the industry. Both men are shown accepting the award from Stuart J. Horton, publication director of *Discount Store News*.

Toys 'R' Us Tests Kids' Wear; Buying Brands Direct Is Problem

ROCHELLE PARK, N.J.—Toys "R" Us is looking to spread its volume more evenly over the calendar year—and boost margins—by adding less-seasonal children's wear, including designer items.

The 102-unit discount toy chain added 1,000-sq.-ft. infants' and toddlers' apparel departments just after Christmas last year, and has been testing different-size departments and new assortments ever since. According to vice president John Devine, this Christmas will provide the test that will determine how much emphasis the chain will give to the line thereafter.

The chain is counting on branded goods to make the department work by pulling more traffic through the year, and no-name products to provide better gross margins than the store achieves on most toys.

"Obviously we're trying to carry all branded goods," commented Devine after a recent advertisement listing all branded items appeared in the Sunday *New York Daily News*.

A three-quarter page ad featured Strawberry Shortcake, Billy The Kid, and Garanimals boys' and girls' coordinated separates for sizes 2-4 (with Garanimals also available in 9-24 months age groups.) The promotion also noted jeans by Sergio Valente, Lee, Billy The Kid and Wrangler for toddlers.

(Continued on page 126)

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Editorial

Discounting, Still Progressive And Dynamic, Keeps Growing

Making The Rounds

with Doug Stinson

Editor

The industry keeps growing.

In spite of doomsday warnings from some alleged experts that discount department stores have already peaked, in spite of increasing competition from relatively new forms of retailing—flea markets, off-price apparel chains, outlet malls and others—and in spite of pressure from the fast-growing specialty chains and catalog showrooms, the discount department store industry will reach $66.6 billion (including the connected supermarkets) in this fiscal year, $61.1 billion from general merchandise sales only.

The average sales per store have topped the $8 million mark for the first time, and the range keeps stretching. Many discount stores in the 30,000-40,000-sq.-ft. range do less than the industry-average $106 a square foot in general merchandise, and just as many big stores (over 150,000 sq. ft.) sell well in excess of the average.

The Background

The year has brought continued consolidation of the industry, as chains sought less expensive (and usually less risky) alternatives to new store construction. Wal-Mart's buy of the Big K chain, King's buy of Barkers, Cook's acquisition of Rink's, and Target's takeover of Ayr-Way shortened the list of chains by four, and concentrated a billion dollars more in sales in the remaining companies.

Others that disappeared from the roster of discount department store chains in 1981 were Community, which was sold in chunks to May's Family Centers and Zayre; and Korvettes, which was finally folded by its French parent company during 1981. The Treasury was sold off by parent J.C. Penney, some of the stores also to Zayre, and Unishops shut its doors. Twin Fair, which still operated 16 stores (at presstime) in New York, has already announced that it is seeking a buyer for all of them.

At any convention or other gathering of discounters, you hear the same theme: that soon there will only be 10 or 20 chains.

I hope not.

No industry can survive unless it is dynamic and progressive, with ample opportunity for experimentation and change. When the business is concentrated among a few very large companies, the excitement will be gone. The edge that is honed daily against local, regional and national competitors will be dulled.

There's a group of Gibson franchise stores in Texas that, according to a K mart merchandiser "gives us fits" in its hometown markets. How? By being the local expert, by operating on a simpler, more efficient scale, by being faster to react to the changing market, and by having the courage to experiment with new concepts, merchandise programs and presentations that make K mart—which is hampered in these areas by its size—look stodgy in comparison.

This is a chain of small stores, doing less than $50 million, successfully taking on the $16 billion giant K mart and doing very well at it, thank you.

When that sad day ever comes that 20 chains are the entire discount department store industry, you can forget about the kind of excitement that is generated by these David-vs.-Goliath tales. The 20 giants will just whack up the pie, sit back, and get very complacent as the dollars keep rolling in.

In other words, they'll get fat and lazy. We all know what happens when a chain gets fat and lazy, and it ain't good.

It's reassuring, then, to look at the giants in discounting—the billion-dollar chains—and see a little sign of fatness or sloth.

K mart, as befits its No. 1 position, is leading the way in remodels and new store construction, with a brighter, sexier, bolder presentation. "Unlimited open-to-buy" is the buzzword at K mart for designer apparel lines, and the intensified merchandising of many departments is already paying off for the chain. Certainly, K mart is not fat or lazy.

Woolco—which some say was just a *little* fat and lazy in the last few years, has launched an exciting new store look and merchandise presentation package in New Jersey. (What is there about New Jersey that makes it the first testing ground for such projects as K mart's remodels and Woolco's new prototype? Must be the close proximity of New York.) Wal-Mart is without a doubt the leanest and meanest of the billion-dollar group, with its Big K buy, Mexican venture and undiminished new-store growth driving up everyone's blood pressure.

Keeping Pace

Zayre is a close second to Wal-Mart for the leanest-and-meanest award, as it starts to get the payback on its extensive remodeling program. Target, like Wal-Mart, just keeps rolling along—aided now by more than 40 ex-Ayr-Way stores in its midsection—and even staid old T.G. & Y. is coming up with a new prototype that will bring that chain into the forefront of store layout and design.

So among the biggest chains in the industry there is a little sign of approaching old age, or of fat-cat attitudes.

In fact, among the largest, most successful chains, there are ample examples of far-sighted and progressive planning.

There's a message there for all of us.

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Due to space limitation, DSN was unable to run articles in this issue on all Top 100 (by volume) chains. Statistics for the chains omitted are included in the chart on p. 21.

(The page references for Lawn & Garden and Sporting Goods are given incorrectly in the index on p. 51.)

The editorial is on p. 2; Bob Curtis' Pilferage Prevention-column is on p. 4; Executive Changes is on p. 7. Other regular departments and features have been omitted from this issue because of the size of the special discount census. They will be resumed in the Oct. 5 issue.

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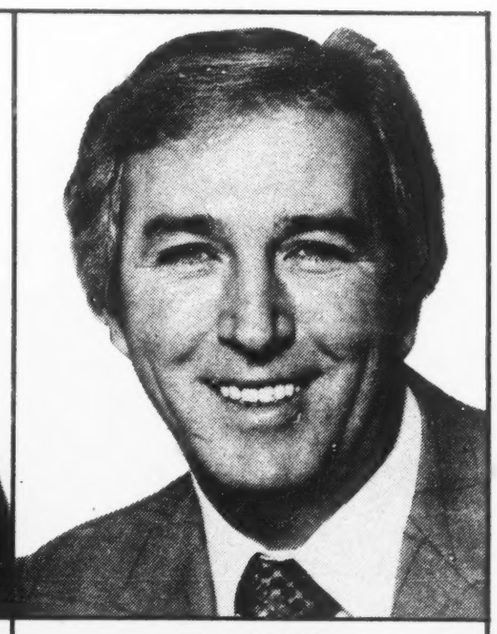
Vol. 20, No. 19 Sept. 21, 1981

1981-82 DISCOUNT STORE CENSUS

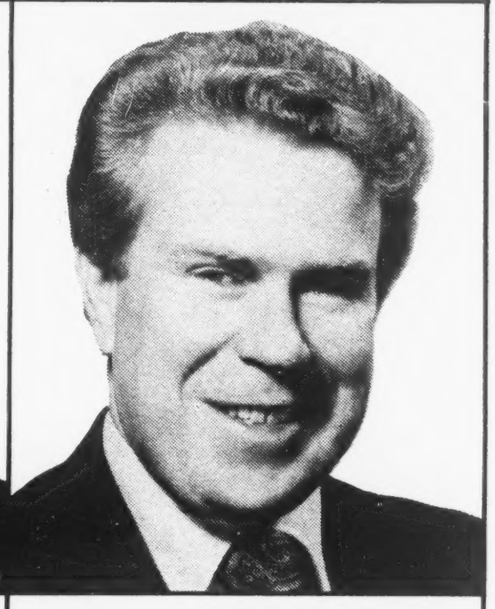
Discounters Making Headlines

Stephen L. Pistner



Floyd Hall

Samuel Leftwich



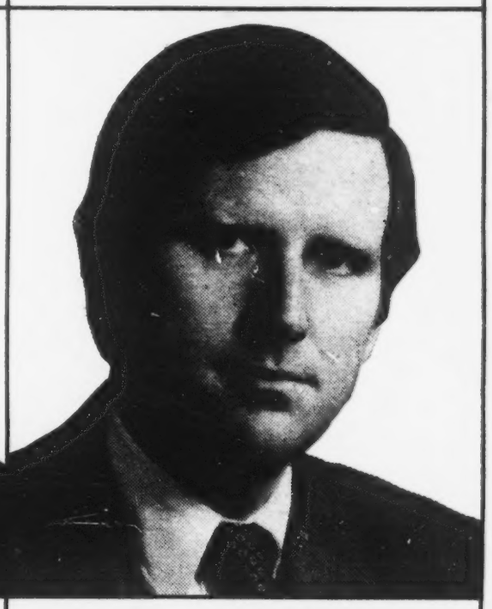
John Parker

Among the discounters making headlines this year were **Stephen L. Pistner,** who left Dayton Hudson for the top spot at Montgomery Ward; **Floyd Hall,** former head of B. Dalton bookstores who was named chairman of Target in the management shakeup that followed Pistner's exodus; **Arnold Suval,** the former head of Zodys who Pistner tapped to run Ward's foundering Jefferson/Ward division; **Dan Kelly,** who became president of T.G. & Y.; **Samuel Leftwich,** named president of industry giant K mart; **John Parker,** named to the newly created post of general manager, U.S. Woolco; **Thomas Hays,** who took the helm at Venture, and **Stephen A. Goldberger,** who became president of Hills after his father, chain founder Herbert Goldberger, retired. Not shown: **Paul Kwasnick,** who returned to the president's post at King's; **Hugo Mann,** now sole owner of the largest privately held retailer in the U.S., Fed-Mart, and **Larry Schaen** the new head of Two Guys.

Arnold Suval

Dan Kelly

Thomas Hays



Stephen A. Goldberger

Discounters to Top $61B In '81 Gen. Mdse. Sales

General merchandise sales in discount department stores will top $61 billion in 1981, and total sales, including food, will exceed $66 billion.

The average sales per discount store have also passed a milestone, as they rise to $8,157,766 including food from each of 8,164 stores—428 more than last year.

Sales per square foot in general merchandise rose more than 6%, to $106.04 from $99.29, as volume grew. Store size continued to drop as the 100,000-sq.-ft. giants of years past are replaced by more efficient selling machines that range (usually) from 40,000 to 70,000 sq. ft.

The store size average was also pulled down by such moves as Woolco cutting its 100,000-sq.-ft. stores to 70,000 sq. ft., and putting a J. Brannam in place, and Zodys taking seven 100,000-sq.-ft.-plus Gold Circles in California and opening 70,000-sq.-ft. stores.

(Two Guys ran counter to the trend, shutting supermarkets in some of its stores, and having to take the space—turning 70,000-sq.-ft. stores into 100,000-sq.-ft. stores—when no lessee could be found.)

Wal-Mart, K mart and T.G. & Y. are most typical of the industry, with stores mostly in sizes under 50,000 sq. ft. (as K mart's Group 9 stores), and few larger. K mart does, of course still open some over 70,000 sq. ft., but not as many as in the past.

State of the Discount Store Industry

	As of Calendar Year Ended 12/31/80	Projected for Calendar Year Ending 12/31/81
Square footage	546,091,000	576,215,000
Net Gain in Square Footage	32,779,000	30,124,000 (5.5%)
Stores	7,736	8,164
Net Gain in No. of Stores	470	428
Annual Sales Incl. Food (1)	$60.5 Billion	$66.6 Billion
General Merchandise Sales	$55 Billion	$61.1 Billion
Average Sales/Sq. Ft./Yr. (1)	$110.79	$115.58
Average Sales/Sq. Ft., General Merchandise	$99.29	$106.04
Average Sales/Store/Year	$7,821,590	$8,157,766
Average Store Size	70,600 sq. ft.	70,580 sq. ft.

(Source: DSN Research)

(1) Includes supermarket sales, when under same roof, for calendar 1980, 1981.

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